

Message Text

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INFO DEPT TREASURY

C O N F I D E N T I A L CAIRO 6889

TREASURY FOR PARSKY

E.O. 11652: GDS

TAGS: EGIN EG

SUBJ: KAISSOUNI'S QUERY RE POSSIBLE EX-IM BANK

FINANCING FOR NEW CAIRO HILTON HOTEL

1. I MET FEW DAYS AGO WITH DR. ABDEL MONEIM KAISSOUNI, PRESIDENT OF THE ARAB INTERNATIONAL BANK, AT HIS REQUEST. HE WANTED TO DISCUSS THE POSSIBLITY OF EX-IM FINANCING FOR THE NEW CAIRO HILTON HOTEL.

2. HE POINTED OUT THAT HIS BANK HAS TITLE TO A PLOT OF LAND ALONG THE CORNICHE SEVERAL HUNDRED YARDS NORTH OF THE PRESENT HILTON HOTEL. WITH THE CONCURRENCE OF THE GOE, AN AGREEMENT HAS BEEN SIGNED WITH HILTON HOTELS CORPORATION TO BUILD AND MANAGE ON THAT SITE A NEW 900-ROOM CAIRO HILTON HOTEL. SUCH AN ADDITONAL LUXURY HOTEL IS BADLY NEEDED BECAUSE OF INCREASING NUMBERS OF TURISTS VISIT CAIRO. (HE IS RIGHT.) ESTIMATED CONSTRUCTION COST IS \$40 MILLION. OF THIS AMOUNT \$17 MILLION WILL BE EQUITY CAPTIAL AND \$23 MILLION WILL HAVE TO BE BORROWED. AN AMERICAN DIRECTOR OF THE NEW HOTEL WILL BE CHOSEN AND AN AMERICAN ARCHITECT, CHARLES WARNER OF WARNER, BURNS, TOAN LUNDE
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CO. OF NEW YORK CITY, HAS BEEN ENGAGED BY THE

BANK TO DO THE DESIGN.

3. KAISOUNI SAID THERE HAS ALREADY BEEN FRENCH AND SWISS INTEREST IN FINANCING THE HOTEL. HOWEVER, HE WOULD PREFER AMERICAN FINANCING IF IT CAN BE OBTAINED ON SOME SORT OF CONCESSIONARY TERMS. IN THIS CONNECTION, HE SAW THREE POSSIBLE APPROACHES TO THE JOB: A) HAVING THE WORK DONE ENTIRELY BY AN AMERICAN CONTRACTOR, WHICH WOULD MEAN THAT MOST OF THE \$23 MILLION WOULD HAVE TO COME FROM THE US; B) HAVING TWO OR THREE CONTRACTORS, EACH RESPONSIBLE FOR A DIFFERENT PART, E.G. AMERICAN, GERMAN FRENCH, OR C) HAVING AN AMERICAN AS PRIME CONTRACTOR, WHO WOULD ENGAGE SUBCONTRACTORS FROM OTHER COUNTRIES. THE LAST TWO ALTERNATIVES WOULD REQUIRE ONLY PART OF THE \$23 MILLION TO COME FROM THE US.

4. KAISOUNI EXPRESSED PREFERENCE IS THAT ENTIRE PROJECT BE DONE BY AMERICANS. HE WOULD BE PREPARED TO GO THIS ROUTE IF THERE IS SOME POSSIBILITY OF GETTING EX-IM HELP ALONG THE LINES OF THE ASSISTANCE OFFERED FOR THE CAIRO WEST GENERATOR. BEFORE SUBMITTING ANY FORMAL APPLICATION, HE WISHES INFORMALLY, TO EXPLORE THE PROSPECTS OF A POSITIVE RESPONSE. HE WILL NOT APPLY IF THE ANSWER IS LIKELY TO BE NEGATIVE. KAISOUNI, RECALLED THAT DURING SECRETARY SIMON'S RECENT VISIT TO CAIRO, THE SECRETARY HAD ANNOUNCED AT THE PRESS CONFERENCE WITH DR. HAGAHI THE POSSIBILITY OF GETTING MORE EX-IM ASSISTANCE FOR EGYPT'S ECONOMIC DEVELOPMENT PLANS. HE THOUGHT THE NEW CAIRO HILTON WOULD BE A SUITABLE PROJECT.

5. ACTION REQUESTED: WOULD APPRECIATE HAVING SOME READING WHETHER EX-IM MIGHT BE DISPOSED TO RESPOND POSITIVELY TO SUCH APPLICATION. ON THE SURFACE, THE PROJECT (IF TOTALLY AMERICAN) APPEARS TO BE OF THE TYPE THAT DESERVES USG SUPPORT. MOREOVER, ALL INDICATIONS POINT TO THE FACT THAT LUXURY HOTELS IN CAIRO, FOR THE TIME BEING AT LEAST, REMAIN HIGHLY PROFITABLE INVESTMENT. IN THE CIRCUMSTANCES, THE RISK OUGHT TO BE MINIMAL. HOPE EX-IM WILL GIVE SERIOUS CONSIDERATION TO THIS
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POSSIBILITY. I CAN ONLY REITERATE WHAT I HAVE PREVIOUSLY SAID: IF AMERICAN BUSINESS IS TO COMPETE WITH EUROPEAN AND JAPANESE COMPETITORS IN THE DEVELOPING EGYPTIAN MARKET, IT NEEDS SOME KIND OF USG ASSISTANCE, ESPECIALLY IN THE AREA OF FINANCING.
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